



uMfolozi Municipality
Annual financial statements
for the year ended 30 June 2015

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2015

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 5 to 43, which have been prepared on the going concern basis, were approved by the Council on 28 August 2015 and were signed on its behalf by:



KE Gamede
Accounting Officer



Report of the Auditor General

To the Council of uMfolozi Local Municipality

Report on the financial statements

I have audited the accompanying annual financial statements of the uMfolozi Municipality which comprise the statement of financial position as at 30 June 2015, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the accounting officer's report, as set out on pages 5 to 43.

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Receivables from non-exchange transactions	4	8 202 673	6 482 598
Other Receivables from non-exchange transactions	6	92 211	85 577
VAT receivable	7	3 956 920	2 164 400
Cash and cash equivalents	8	3 188 448	155 904
		15 440 252	8 888 479
Non-Current Assets			
Property, plant and equipment	2	140 957 142	95 544 839
Intangible assets	3	44 170	76 765
		141 001 312	95 621 604
Total Assets		156 441 564	104 510 083
Liabilities			
Current Liabilities			
Finance lease obligation	10	1 702 219	1 020 273
Payables from exchange transactions	12&13	18 929 593	10 409 550
Unspent conditional grants and receipts	11	4 765 287	9 934 870
		25 397 099	21 364 693
Non-Current Liabilities			
Finance lease obligation	10	3 360 993	1 549 540
Total Liabilities		28 758 092	22 914 233
Net Assets		127 683 472	81 595 850
Accumulated surplus		127 683 472	81 595 850

* See Note 30

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Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	15	278 715	264 336
Rental of facilities and equipment		111 175	76 304
Licences and permits		725 789	356 191
Miscellaneous income		534 680	548 559
Sale of tender documents		212 652	205 300
Interest received	21	1 559 564	996 165
Total revenue from exchange transactions		3 422 575	2 446 855
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	14	6 490 400	6 012 494
Government Grants			
Fines	16	122 591 586	88 858 970
Excellence Award		10 050 097	402 011
		-	1 000 000
Total revenue from non-exchange transactions		139 132 083	96 273 475
Total revenue		142 554 658	98 720 330
Expenditure			
Employee related costs	18	(23 467 008)	(21 555 160)
Remuneration of councillors	19	(7 919 293)	(7 297 667)
Depreciation and amortisation	22	(4 591 945)	(3 557 498)
Impairment loss/ Reversal of impairments	23	(40 185)	(2 184 534)
Finance costs	24	(309 603)	(177 178)
Provision for Bad debts movements	20	(9 495 363)	(279 945)
Repairs and maintenance	27	(1 190 360)	(2 445 773)
Contracted services	26	(2 178 153)	(967 028)
Grants expenditures		(5 809 770)	(4 311 807)
General Expenses	17	(41 409 111)	(29 079 297)
Total expenditure		(96 410 791)	(71 855 887)
Operating surplus		46 143 867	26 864 443
Loss on Disposal of the Assets		(56 245)	-
Surplus for the year		46 087 622	26 864 443

* See Note 30

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Statement of Changes in Net Assets

Figures in Rand		Accumulated surplus	Total net assets
Balance at 01 July 2013		54 572 177	54 572 177
Changes in net assets			
Correction prior year errors	33	159 230	159 230
Total Restatement		159 230	159 230
Surplus for the year		26 864 443	26 864 443
Total recognised income and expenses for the year		27 023 673	27 023 673
Total changes		27 023 673	27 023 673
Restated* Balance at 01 July 2014		81 595 850	81 595 850
Changes in net assets			
Surplus for the year		46 087 622	46 087 622
Total changes		46 087 622	46 087 622
Balance at 30 June 2015		127 683 472	127 683 472

* See Note 30

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Annual Financial Statements for the year ended 30 June 2015

Statement of Cash Flows

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		4 785 676	5 938 871
Grants		117 422 003	85 836 000
Interest income		1 559 564	996 165
Other receipts		1 059 302	2 270 988
		124 826 545	95 042 024
Payments			
Employee costs		(31 194 882)	(27 834 987)
Suppliers		(42 714 829)	(40 300 023)
Finance costs		(9 970)	-
Other payments		-	(177 178)
		(73 919 681)	(68 312 188)
Net cash flows from operating activities	28	50 906 864	26 729 836
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(46 456 938)	(26 871 674)
Increase in Finance Leases	2	(3 755 884)	(2 217 176)
Proceeds from the sale of the Assets		144 737	-
Net cash flows from investing activities		(50 068 085)	(29 088 850)
Cash flows from financing activities			
Finance lease payments		2 193 765	1 669 199
Net increase/(decrease) in cash and cash equivalents		3 032 544	(689 815)
Cash and cash equivalents at the beginning of the year		155 904	845 719
Cash and cash equivalents at the end of the year	8	3 188 448	155 904

* See Note 30

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Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budgets and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments and budget		Final budget	Actual outcome
2015						
Financial Performance						
Property rates	5 064 000	-	5 064 000	-	5 064 000	6 490 40
Service charges	296 000	-	296 000	-	296 000	278 70
Investment revenue	250 000	-	250 000	-	250 000	1 559 50
Transfers recognised - operational	73 150 000	-	73 150 000	-	73 150 000	84 974 90
Other own revenue	25 441 000	-	25 441 000	-	25 441 000	11 634 30
Total revenue (excluding capital transfers and contributions)	104 201 000	-	104 201 000	-	104 201 000	104 938 00
Employee costs	(25 244 000)	1 748 000	(23 496 000)	-	(23 496 000)	(23 467 00)
Remuneration of councillors	(7 435 000)	-	(7 435 000)	-	(7 435 000)	(7 919 20)
Debt impairment	-	-	-	-	-	(9 495 30)
Depreciation and asset impairment	(2 000 000)	-	(2 000 000)	-	(2 000 000)	(4 632 10)
Finance charges	-	-	-	-	-	(309 60)
Transfers and grants	(450 000)	-	(450 000)	-	(450 000)	(5 809 70)
Other expenditure	(39 409 000)	(1 265 000)	(40 674 000)	-	(40 674 000)	(44 833 80)
Total expenditure	(74 538 000)	483 000	(74 055 000)	-	(74 055 000)	(96 467 00)
Surplus/(Deficit)	29 663 000	483 000	30 146 000	-	30 146 000	8 471 00

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome
Transfers recognised - capital	32 579 000	-	32 579 000	-		32 579 000	37 616 61
Contributions recognised - capital and contributed assets	(60 652 000)	-	(60 652 000)	-		(60 652 000)	
Surplus (Deficit) after capital transfers and contributions	1 590 000	483 000	2 073 000	-		2 073 000	46 087 62
Surplus/(Deficit) for the year	1 590 000	483 000	2 073 000	-		2 073 000	46 087 62
Capital expenditure and funds sources							
Total capital expenditure	60 652 000	-	60 652 000	-		60 652 000	86 125 01

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome
Cash flows							
Net cash from (used) operating	180 758 000	-	180 758 000	-		180 758 000	50 906 80
Net cash from (used) investing	-	-	-	-		-	(50 068 00
Net cash from (used) financing	-	-	-	-		-	2 193 70
Net increase/(decrease) in cash and cash equivalents	180 758 000	-	180 758 000	-		180 758 000	3 032 50
Cash and cash equivalents at the beginning of the year	155 904	(155 904)	-	-		-	155 90
Cash and cash equivalents at year end	180 913 904	(155 904)	180 758 000	-		180 758 000	3 188 40

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Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These Annual Financial Statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Grap Standards Summary

Applicable Standards

GRAP 1	- Presentation of Financial Statement
GRAP 2	- Cash Flow Statement
GRAP 3	- Accounting Policies , Changes in Accounting Estimates and Errors
GRAP 5	- Borrowing Costs
GRAP 9	- Revenue from Exchange Transactions
GRAP 13	- Leases
GRAP 14	- Events After the Reporting Date
GRAP 16	- Investment Properties
GRAP 17	- Property, Plant and Equipment
GRAP 19	- Provisions, Contingent Liabilities and Contingent Assets
GRAP 23	- Revenue from Non-exchange Transactions
GRAP 24	- Presentation of Budget Information in Financial Statements
GRAP 25	- Employee Benefits
GRAP 31	- Intangible Assets
GRAP 100	- Non-current Assets Held for Sale and Discontinued Operations
GRAP 104	- Financial Instruments
IGRAP 1	- Traffic fines

New Standards, Amendments and Interpretations to GRAP Standards Approved But Not yet Effective:

GRAP 32	Service Concession Arrangement : Grantor	Unknown
GRAP 108	Statutory Receivables	Effective date not approved
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset.	Effective date not approved

1.3 Going Concern Assumption

Basis

These Annual Financial Statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)**Trade receivables / Held to maturity investments and/or loans and receivables**

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 9.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Provision for doubtful debts is calculated by categorising the outstanding into three:

Category A are government properties and those who owe less than 30 days. No provision is made for them.

Category B are those who are irregular payers, and the debts are more than 60 days. The provision is made at 25%

Category C are bad payers and the provision is at 50%

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset's given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives.

The useful lives of items of property, plant and equipment have been assessed as follows:

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Accounting Policies

1.5 Property, plant and equipment (continued)

Item	Average useful life
Infrastructure	
• Roads and paving	30
• Stormwater Drainage	20
Community	
• Buildings	30
• Recreational facilities	20-30
• Community Halls	30
• Parks and Gardens	30
• Libraries	30
Equipment and furniture	
• Office Equipment	4
• Furniture and fittings	7-10
• Bins and containers	5
• Specialised plant and equipment	10-15
Other property, plant and equipment	
• Buildings	30
• Specialised vehicles	10
• Other vehicles	5
Other	
• Landfill Sites	15
• Emergency equipment	7
• Computer equipment	3

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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Accounting Policies

1.6 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's given up

Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Performance.

The annual amortisation rates are based on the following estimated average asset lives.

Item	Useful life
Computer software, other	5 years

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Accounting Policies

1.7 Financial instruments (continued)

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Accounting Policies

1.7 Financial instruments (continued)

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Accounting Policies

1.7 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Accounting Policies

1.8 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.9 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Accounting Policies

1.10 Provisions and contingencies

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- >the amount that would be recognised as a provision; and
- >the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31.

1.11 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Accounting Policies

1.11 Revenue from exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.12 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised. Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councilors or officials is virtually certain.

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)**Fines**

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has one type of fines: namely traffic fines. There is certainty regarding the probability of the flow of economic benefits or service potential in respect of fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Grants, Transfers and Donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.13 Investment income

Investment income is recognised on a time-proportion basis using the effective interest rate method.

1.14 Retirement Benefits**Post Retirement**

The municipality provides retirement benefits for its Employees and Councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined benefit funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the contributions which are recognised as an expense in the statement of Financial Performance in the year that they become payable.

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.16 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.20 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.21 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.22 Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost. Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

2. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	10 404 853	-	10 404 853	10 404 853	-	10 404 853
Buildings	7 385 974	(3 812 289)	3 573 685	7 385 974	(3 574 792)	3 811 182
Leased office equipment	1 174 324	(734 111)	440 213	1 174 323	(499 247)	675 076
Leased motor vehicles	5 973 059	(1 216 703)	4 756 356	2 217 176	(332 852)	1 884 324
Infrastructure	29 880 140	(11 433 331)	18 446 809	25 085 253	(10 584 034)	14 501 219
Community	62 052 394	(15 701 136)	46 351 258	48 771 269	(13 943 324)	34 827 945
Other property, plant and equipment	8 533 432	(7 017 888)	1 515 544	8 600 310	(6 617 626)	1 982 684
Work in progress	55 468 424	-	55 468 424	27 457 556	-	27 457 556
Total	180 872 600	(39 915 458)	140 957 142	131 096 714	(35 551 875)	95 544 839

uMfolozi Municipality

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Notes to the Annual Financial Statements

Figures in Rand

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Trar
Land	10 404 853	-	-	
Buildings	3 811 182	-	-	
Leased office equipment	675 077	-	-	
Leased motor vehicles	1 884 324	3 755 883	-	
Infrastructure	14 501 219	-	-	4
Community	34 827 945	-	-	13
Other property, plant and equipment	1 982 683	370 040	(200 982)	
Work in progress	27 457 555	46 086 898	-	(18)
	95 544 838	50 212 821	(200 982)	

Reconciliation of property, plant and equipment - 2014

	Opening balance	Restatements	Restated opening balance	Additions	Trar
Land	10 404 853	-	10 404 853	-	
Buildings	4 200 874	-	4 200 874	-	
Leased office equipment	909 941	-	909 941	-	
Leased motor vehicles	-	-	-	2 217 176	
Infrastructure	11 775 418	1 764 753	13 540 171	-	3
Community	22 120 708	6 348 124	28 468 832	-	7
Other property, plant and equipment	2 435 419	-	2 435 419	300 240	
Work in progress	20 497 064	(8 291 730)	12 205 334	26 571 435	(11)
	72 344 277	(178 853)	72 165 424	29 088 851	

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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3. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	162 978	(118 808)	44 170	162 978	(86 213)	76 765

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software, other	76 767	(32 595)	44 172

Reconciliation of intangible assets - 2014

	Opening balance	Amortisation	Total
Computer software, other	109 362	(32 595)	76 767

4. Receivables from non-exchange transactions

Trade debtors	9 522 137	7 764 896
Provision for Doubtful debts	(1 319 464)	(1 282 298)
	8 202 673	6 482 598

Reconciliation of provision for doubtful debts of trade and other receivables

Opening balance	1 854 236	1 574 291
Provision for impairment	37 167	279 945
	1 891 403	1 854 236

5. Summary of Receivables

Gross balances		
Rates	9 522 137	7 764 896
Less: Provision for Impairments		
Rates	(1 319 465)	(1 282 298)
Net balance		
Rates	8 202 673	6 482 598
Included in above is receivables from non-exchange transactions		
Rates	9 522 137	7 764 896
Gross balance	9 522 137	7 764 896

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
5. Summary of Receivables (continued)		
Rates		
Current (0 -30 days)	606 874	522 465
31 - 60 days	483 652	423 100
61 - 90 days	431 870	267 144
91 - 120 days	297 890	246 365
121 - 365 days	7 701 851	6 305 822
	9 522 137	7 764 896
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	184 961	114 390
31 - 60 days	123 518	77 153
61 - 90 days	84 226	59 710
91 - 120 days	74 886	55 222
121 - 365 days	1 963 496	1 312 209
	2 431 087	1 618 684
Less: Provisions for impairments	(887 827)	(604 723)
	1 543 260	1 013 961
Industrial/ commercial		
Current (0 -30 days)	222 227	224 363
31 - 60 days	173 173	174 283
61 - 90 days	165 752	47 799
91 - 120 days	43 389	39 054
121 - 365 days	904 336	991 881
	1 508 877	1 477 380
Less: Provisions for impairments	(431 637)	(677 575)
	1 077 240	799 805
National and provincial government		
Current (0 -30 days)	199 686	151 705
31 - 60 days	186 961	149 645
61 - 90 days	181 891	146 982
91 - 120 days	179 615	145 555
121 - 365 days	4 834 019	3 812 588
	5 582 172	4 406 475
Total		
Current (0 -30 days)	606 874	490 458
31 - 60 days	483 652	401 081
61 - 90 days	431 870	254 491
91 - 120 days	297 890	239 830
121 - 365 days	7 701 851	6 379 036
	9 522 137	7 764 896
Less: Provisions for impairments	(1 319 464)	(1 282 298)
	8 202 673	6 482 598

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
6. Other Receivables from non-exchange transactions		
Sundry Debtors	605 000	598 366
Traffic fines	9 554 513	59 150
Allowance for impairment	(10 067 302)	(571 939)
	92 211	85 577

7. VAT receivable

VAT	3 956 920	2 164 400
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VAT output is payable on the receipts basis and VAT input is paid over to SARS only once the payment is made to the supplier.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash and Bank	3 159 025	133 859
Traffic Fines Account and Grant Cash Accounts	29 423	22 045
	3 188 448	155 904

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA BANK -Account Type- Cheque-40-5385-7155	3 160 220	134 126	837 333	3 159 025	131 429	841 769
ABSA BANK -Account Type- Traffic 40-7854-4599	12 394	14 090	3 950	12 394	14 090	3 950
ABSA BANK - Account Type - INEG-92-8652-5057	1 815	1 178	-	1 815	1 178	-
ABSA BANK - Account Type - MIG-92-8651-3913	1 427	1 357	-	1 427	1 357	-
ABSA BANK - Account Type - EPWP-92-8651-3769	1 964	2 819	-	1 964	2 819	-
ABSA BANK - Account Type - FMG-92-8652-5340	1 146	1 151	-	1 146	1 151	-
ABSA BANK - Account Type - MSIG-92-8651-3028	1 292	1 449	-	1 292	1 449	-
ABSA BANK - Account Type - Call Account - 91-0739-9765	-	2 431	-	-	2 431	-
ABSA BANK -Account Type- Traffic 40-6506-2322	9 385	-	-	9 385	-	-
Total	3 189 643	158 601	841 283	3 188 448	155 904	845 719

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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9. Employee benefit obligations

Other assumptions

Defined benefits obligations

An amount of R11 755 553(2014 - R9 925 892) was contributed by Council towards employment retirement funding. These contributions have been expensed. The Zululand Joint Provident Fund has received a notice of exemption for further valuations per notice number 12/8/37666:

	Last Actuarial Valuation	Total assets	Total Liabilities	Net Gain/(Loss)	
Government Employees Pension Fund	March 2015	801 004 000	801 004 000	-	-
KwaZulu-Natal Joint Municipal Provident Fund	March 2015	1 651 394	1 584 921	66 473	-
Natal Joint Municipal Pension Fund (Superannuation Fund)	March 2015	7 467 702	7 626 418	(158 716)	-
Natal Joint Municipal Pension Fund (Retirement)	March 2015	2 765 941	2 969 701	(203 760)	-
Zululand Joint Provident Fund (Uthungulu District Municipality Provident Fund)	February 2015	12 541 836	12 541 836	-	-

10. Finance lease obligation

Minimum lease payments due

- within one year	2 092 152	1 198 301
- in second to fifth year inclusive	3 905 017	1 658 234
	5 997 169	2 856 535
less: future finance charges	(933 958)	(286 722)
Present value of minimum lease payments	5 063 211	2 569 813

Present value of minimum lease payments due

- within one year	1 702 219	1 020 273
- in second to fifth year inclusive	3 360 992	1 549 540
	5 063 211	2 569 813

Non-current liabilities	3 360 992	1 549 540
Current liabilities	1 702 219	1 020 273
	5 063 211	2 569 813

It is municipality policy to lease certain equipment and motor vehicles and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 9% (2014: 9%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand 2015 2014

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	835 385	6 198 724
Spatial Development Framework Funding	401 179	-
Housing Grant	1 766 956	1 766 956
Library Grant	137 186	35 896
Beach Access Upgrade	495 644	819 333
Integrated Development Plan Grant	112 018	112 018
Development Planning and Shared Services	371 319	371 319
Small Town Rehabilitation	30 000	270 000
Sports and Recreation	-	247 528
Integrated National Electrification Grant	-	113 096
Schemes support programme	615 600	-
	4 765 287	9 934 870

Movement during the year

Balance at the beginning of the year	9 934 870	12 957 841
Additions during the year	117 422 003	85 835 999
Income recognition during the year	(122 591 586)	(88 858 970)
	4 765 287	9 934 870

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

12. Leave Accrual

Reconciliation of leave accrual - 2015

	Opening Balance	Additions	Total
Leave Accrual	1 000 090	191 419	1 191 509

Reconciliation of leave accrual - 2014

	Opening Balance	Additions	Total
Leave Accrual	882 329	117 761	1 000 090

13. Payables from exchange transactions

Trade payables	11 989 387	7 558 076
Other creditors	706 113	1 851 384
Leave Accrual	1 191 509	1 000 090
Retentions	5 042 584	-
	18 929 593	10 409 550

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
13. Payables from exchange transactions (continued)		
Other creditors balance is made out of :		
Payroll creditors	416 932	1 401 696
Sundry Creditors	124 425	245 404
Payments received in advance	164 756	204 284
	706 113	1 851 384

The fair value of trade and other payables approximates their carrying amounts.

14. Property rates

Rates received

Property rates	10 399 564	9 686 030
Less: Income forgone	(3 909 164)	(3 673 536)
	6 490 400	6 012 494

Valuations

Residential	193 868 000	193 868 000
Commercial	95 165 000	95 165 000
State	141 833 000	141 833 000
Municipal (Ngonyama Trust)	42 250 000	42 250 000
Agriculture	588 256 000	588 256 000
Public Benefit Organisations	122 209 000	122 209 000
Public Service Infrastructure	7 213 000	7 213 000
	1 190 794 000	1 190 794 000

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2012. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 0.03611 is applied to property valuations to determine assessment rates. Rebates of 37% are granted to residential and state property owners.

15. Service charges

Refuse removal	278 715	264 336
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uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
16. Government grants and subsidies		
Operating grants		
Equitable share	67 324 724	52 392 000
Sports and Recreation Grant	247 528	1 627 472
Municipal Systems Intergrated Grant	934 000	890 000
Integrated Development Plan Grant	-	17 098
Beach Access Upgrade Grant	323 689	94 392
Small Town Rehabilitation Grant	240 000	300 000
Library Grant	559 710	336 104
Technical Support Grant	-	525 000
Financial Management Grant	1 800 000	1 650 000
Expanded Public Works Program Grant	1 455 000	1 000 000
Intergrated National Electrification Grant	5 113 096	4 886 904
Operational support for Thusong	6 539 003	-
Schemes Support Programme	239 400	-
Spatial Development Framework Funding (SDF Funding)	198 821	-
	84 974 971	63 718 970
Capital grants		
Municipal Infrastructure Grant	37 616 615	25 140 000
	37 616 615	25 140 000
	122 591 586	88 858 970

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 325 763- (2014: 306 128), which is funded from the grant.

Municipal Infrastructure Grant

Balance unspent at beginning of year	6 198 724	8 531 724
Current-year receipts	38 452 000	25 140 000
Conditions met - transferred to revenue	(37 616 615)	(25 140 000)
Repaid to Treasury	(6 198 724)	(2 333 000)
	835 385	6 198 724

This grant was used to accelerate basic infrastructure backlogs for the benefit of poor households. The amount transferred to operating relates to projects budgeted for as capital and for financial reporting purposes the asset recognition criteria is met. The revenue recognised met the conditions of the grant.

Financial Management Grant

Current-year receipts	1 800 000	1 650 000
Conditions met - transferred to revenue	(1 800 000)	(1 650 000)
	-	-

The grant was used to promote and support reforms in financial management through financial management internship and reforms programmes. The revenue recognised met the conditions of the grant.

Spatial Development Framework (SDF Funding)

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
16. Government grants and subsidies (continued)		
Current-year receipts	600 000	-
Conditions met - transferred to revenue	(198 821)	-
	401 179	-
Technical Support Grant		
Current-year receipts	-	525 000
Conditions met - transferred to revenue	-	(525 000)
	-	-
Conditions still to be met - remain liabilities (see note 11).		
Housing Grant		
Balance unspent at beginning of year	1 766 956	1 766 956
This grant is unconditional and was used for human settlement operational expenses within the municipality (see note 11).		
Library Grant		
Balance unspent at beginning of year	35 896	-
Current-year receipts	661 000	372 000
Conditions met - transferred to revenue	(559 710)	(336 104)
	137 186	35 896
Conditions still to be met - remain liabilities (see note 11).		
Beach Access Upgrade		
Balance unspent at beginning of year	819 333	913 725
Conditions met - transferred to revenue	(323 689)	(94 392)
	495 644	819 333
Conditions still to be met - remain liabilities (see note 11).		
Integrated Development Planning Grant		
Balance unspent at beginning of year	112 018	129 117
Conditions met - transferred to revenue	-	(17 099)
	112 018	112 018
Conditions still to be met - remain liabilities (see note 11).		
Development Planning and Shared Services		
Balance unspent at beginning of year	371 319	371 319
Conditions still to be met - remain liabilities (see note 11).		
Small Town Rehabilitation Grant		
Balance unspent at beginning of year	270 000	570 000

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
16. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(240 000)	(300 000)
	30 000	270 000

Conditions still to be met - remain liabilities (see note 11).

Sports and Recreation Grant

Balance unspent at beginning of year	247 528	675 000
Current-year receipts	-	1 200 000
Conditions met - transferred to revenue	(247 528)	(1 627 472)
	-	247 528

Conditions still to be met - remain liabilities (see note 11).

Integrated National Electrification Grant

Balance unspent at beginning of year	113 096	-
Current-year receipts	5 000 000	5 000 000
Conditions met - transferred to revenue	(5 113 096)	(4 886 904)
	-	113 096

Conditions still to be met - remain liabilities (see note 11).

The grant was used to address the electrification backlogs of occupied residential dwellings and the installation of bulk infrastructure, rehabilitation and refurbishment of electricity infrastructure in order to improve the quality of supply. The revenue recognised met the conditions of the grant.

Municipal Systems Improvement Grant

Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(890 000)
	-	-

Conditions still to be met - remain liabilities (see note 11).

The grant was used for the implementation of revenue enhancement strategy, strengthening administrative systems for effective implementation of ward participation system, financial systems support and improving municipal audit outcome. The revenue recognised met the conditions of the grant..

Expanded Public Works Program Grant

Current-year receipts	1 455 000	1 000 000
Conditions met - transferred to revenue	(1 455 000)	(1 000 000)
	-	-

The grant was used to expand employment creation efforts as a national priority through the use of labour intensive delivery methods within the municipality. The conditions of the grant were met. (see note 11).

Operational Support Grant-Thusong Center

Current-year receipts-Cogta	4 000 000	-
Current-year receipts-RBM	2 539 003	-

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
16. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(6 539 003)	-
	-	-
Conditions still to be met - remain liabilities (see note 11).		
Schemes Support Programs Grants		
Current-year receipts	855 000	-
Conditions met - transferred to revenue	(239 400)	-
	615 600	-

Conditions still to be met - remain liabilities (see note 11).

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
17. General expenses		
Audit Committee	93 641	95 479
Advertising	284 574	1 052 981
Auditors remuneration	1 278 158	1 183 406
Bank charges	91 278	162 586
Cleaning	58 795	44 757
Poverty Alleviation	1 458 555	976 408
Internal Audit Fees	2 074 361	1 011 162
Consulting and professional fees	8 566 108	6 364 311
Consumables	22 265	23 993
Publicity	4 098 361	329 185
Donations	149 065	-
Entertainment	869 694	231 750
Mayoral Projects	1 557 037	2 421 538
Stationery	20 568	32 071
Insurance	261 614	199 866
Community development and training	1 329 352	1 247 287
Conferences and seminars	150 792	115 044
Street Lighting	306 000	198 120
Legal Fees	156 174	91 600
Vehicles expenses	220 508	337 548
Lease Rentals	508 651	279 682
Traffic managers services	852 571	228 538
Medical expenses	4 702	3 825
Sampling Testing	107 552	198 390
Fuel and oil	1 257 554	1 037 478
Tools	192 493	147 813
Postage and courier	11 057	19 164
Printing and stationery	656 438	322 254
Protective clothing	143 944	31 001
Royalties and license fees	147 832	23 784
Refreshments	531 057	267 756
Staff welfare	95 240	30 000
Subscriptions and membership fees	1 084 236	481 342
Telephone and fax	1 054 387	1 038 797
Training	114 437	582 445
Travel - local	2 793 063	1 277 064
Land usage management systems	820 526	345 958
Electricity	2 352 376	1 329 249
Sewerage and waste disposal	447 163	71 360
Uniforms	178 333	320 373
Archiving	366 169	241 308
Community Services	2 980 300	2 590 204
Relocation expenses	2 123	-
Noise Pollutions and Disaster Funds	317 804	1 189 502
HIV Awareness	17 416	70 605
Development planning	198 821	-
LED Expenses	108 308	252 284
Grants and Donations	817 828	576 463
Burials	21 005	-
Sundries	28 825	3 566
Civic Building Regulation	150 000	-
	41 409 111	29 079 297

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
18. Employee related costs		
Basic	15 122 765	13 821 654
Bonus	801 007	859 870
Medical aid - company contributions	1 141 307	1 084 034
SDL	269 475	246 370
Pension Contributions	1 839 497	1 776 779
Leave pay provision charge	191 419	117 761
Overtime payments	1 064 920	944 068
Night allowances	152 295	126 564
Travel Allowances	2 120 000	1 896 367
Housing benefits and allowances	38 520	38 932
Funeral Scheme	67 104	62 222
Group Life insurance	520 687	458 446
Unemployment Insurance	130 032	115 457
Bargaining Council	7 980	6 636
	23 467 008	21 555 160
Remuneration of Municipal Manager		
Annual Remuneration	805 660	777 497
Travel Allowance	363 540	336 623
Contributions to UIF, Medical and Pension Funds	56 578	44 218
	1 225 778	1 158 338
Remuneration of Chief Finance Officer		
Annual Remuneration	607 115	549 261
Car Allowance	300 000	225 500
Contributions to UIF, Medical and Pension Funds	34 243	31 565
Acting allowance	36 952	69 221
	978 310	875 547
Remuneration of Corporate Services Director		
Annual Remuneration	582 144	504 865
Travel Allowance	262 704	225 500
Contributions to UIF, Medical and Pension Funds	41 095	30 125
Acting Allowance	-	994
	885 943	761 484
Remuneration of Technical Services Director		
Annual Remuneration	102 162	47 833
Travel Allowance	43 784	20 500
Contributions to UIF, Medical and Pension Funds	2 069	797
	148 015	69 130
Remuneration of Community Services Director		
Annual Remuneration	566 767	492 667
Travel Allowance	262 704	225 500
Contributions to UIF, Medical and Pension Funds	56 630	92 841
Leave paid	-	34 174
	886 101	845 182

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
18. Employee related costs (continued)		
PAYE, UIF & SDL		
Opening balance	390 861	463 543
Council subscriptions	5 059 159	5 056 883
Amount paid-current	(5 450 020)	(4 666 022)
Amount paid-previous years	-	(463 543)
	416 932	390 861
Pension and Medical Aid		
Opening Balance	151 387	337 779
Council Subscriptions	2 981 258	2 860 816
Amount paid-current	(3 132 645)	(2 709 429)
Amount paid-previous	-	(337 779)
	-	151 387
19. Remuneration of councillors		
Cellphone Allowances	734 040	725 370
Councillors allowances	5 211 185	5 068 897
Travel Allowances	1 974 698	1 503 400
	7 919 923	7 297 667
20. Debt impairment		
Contributions to debt impairment provision - fines	9 458 197	-
Contributions to debt impairment provision - trade debtors	37 166	279 945
	9 495 363	279 945
21. Interest Received		
Interest revenue		
Interest earned-Banks	111 119	153 449
Interest earned-outstanding receivables	932 705	684 602
Interest earned on investments	515 746	158 114
	1 559 570	996 165
22. Depreciation and amortisation		
Property, plant and equipment	4 559 350	3 524 903
Intangible Assets	32 595	32 595
	4 591 945	3 557 498
23. Impairment of assets		
Impairments		
Property, plant and equipment	40 185	2 184 534

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
24. Finance costs		
Finance leases	299 633	177 178
Other interest paid on bank accounts	9 970	-
	309 603	177 178
25. Auditors' remuneration		
Opening for previous year	-	139 600
Current year Audit Fees	1 278 158	1 183 406
Current year fees paid	(1 278 158)	(1 323 006)
	-	-
26. Contracted services		
Sanitation	122 325	-
Valuation	738 498	-
Cleaning Services	500 403	353 292
Security	816 927	613 736
	2 178 153	967 028
27. Repairs and Maintenance		
Buildings	450 617	1 689 858
Motor Vehicles	739 743	755 915
	1 190 360	2 445 773
28. Cash generated from operations		
Surplus	46 087 622	26 864 443
Adjustments for:		
Depreciation and amortisation	4 591 945	3 557 498
Loss on sale of the Assets	56 245	-
Finance costs - Finance leases	299 633	177 178
Impairment deficit	40 185	2 184 534
Movements in provisions	191 419	117 761
Other non-cash items	43 802	-
Changes in working capital:		
Receivables from non-exchange transactions	(1 763 874)	(1 957 228)
Other receivables from non-exchange transactions	(6 634)	(3 539)
Prepayments	-	279 945
Payables from exchange transactions	8 328 624	(433 951)
VAT	(1 792 520)	(1 033 834)
Unspent conditional grants and receipts	(5 169 583)	(3 022 971)
	50 906 864	26 729 836

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
29. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Community	8 520 421	5 904 914
• Infrastructure	18 390 174	4 499 872
	26 910 595	10 404 786
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	33 382 000	23 452 000

The funding of commitments will mainly be obtained from Grants.

30. Prior period errors

Property, Plant and Equipment was restated due to the projects that were completed and not capitalised in 2014 financial year. Due to that, the error has been corrected in the prior year including the depreciation that was not previously accounted for. This resulted into the increase in depreciation and also the adjustment in the accumulated surplus in order to correctly account for such assets.

Also there is an amount of R 82 038 which was previously classified as Trade Receivables from Exchange transaction instead of Trade receivables from Non-Exchange Transactions as it relates to other Debtors.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Trade Receivables from Non-Exchange Transactions	-	(82 038)
Other Receivables from Non-Exchange Transactions	-	82 038
Accumulated depreciation - PPE	-	(178 854)
Trade and Other Receivables from Exchange Transactions	-	245 404
	-	66 550
Opening Accumulated Surplus -Depreciation	-	(178 854)
Opening Accumulated Surplus-General Expenditure	-	338 084
Trade and Other Payables from Exchange Transactions	-	245 404
Trade and Other Payables from Exchange Transactions	-	(338 084)
	-	66 550

31. Risk management

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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32. Events after the reporting date

There are no post balance sheet events that has occurred in the current year under review.

33. Unauthorised expenditure

Opening Balance	22 410 319	11 224 280
Current year	21 453 748	11 186 039
Unauthorised expenditure awaiting condonement	43 864 067	22 410 319

34. Fruitless and wasteful expenditure

Opening balance	1 052 074	1 052 074
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35. Irregular expenditure

Opening balance	44 156 224	26 696 758
Add: Irregular Expenditure - current year	23 705 325	17 459 466
Irregular expenditure awaiting condonement	67 861 549	44 156 224

36. Additional disclosure in terms of Municipal Finance Management Act

Councillors' arrear consumer accounts

The are no Councillors who had arrear accounts outstanding for more than 90 days at 30 June 2015;

Deviations from Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned . The expenses incurred as listed hereunder have been condoned.

Incident

Deviations from Supply Chain Management Processes	2 198 430	-
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Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation Accumulated Depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Acquisitions Rand	Correction of prior year error Rand	Closing Balance Rand	Opening Balance Rand	Acquisitions Rand	Transfer Rand
Land and buildings										
Land	10 404 853	-	-	-	-	-	10 404 853	-	-	-
Buildings	7 385 974	-	-	-	-	-	7 385 974	(3 574 792)	-	-
	17 790 827	-	-	-	-	-	17 790 827	(3 574 792)	-	-
Infrastructure										
Bus Terminals	1 600 727	-	-	-	-	-	1 600 727	(337 934)	-	-
Lightning	280 409	-	-	-	-	-	280 409	(106 105)	-	-
Pavements	48 417	-	-	-	-	-	48 417	(17 753)	-	-
Road Signs	10 800	-	-	-	-	-	10 800	(6 120)	-	-
Roads	22 939 637	-	-	4 794 904	-	-	27 734 541	(9 992 957)	-	-
Storm water Drainage	205 246	-	-	-	-	-	205 246	(123 147)	-	-
	25 086 236	-	-	4 794 904	-	-	29 880 140	(10 584 016)	-	-
Community Assets										
Community Assets	3 887 243	-	-	5 841 054	-	-	9 728 337	(1 019 280)	-	-
Sportsfields and stadium	44 884 026	-	-	7 440 031	-	-	52 324 057	(12 924 045)	-	-
	48 771 269	-	-	13 281 125	-	-	62 052 394	(13 943 325)	-	-

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2015 Cost/Revaluation Accumulated Depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Acquisitions Rand	Correction of prior year error Rand	Closing Balance Rand	Opening Balance Rand	Acquisitions Rand	Transfer Rand
Leased Assets										
Office Equipments	1 174 323	-	-	-	-	-	1 174 323	(499 247)	-	-
Vehicles	2 217 176	-	-	3 755 883	-	-	6 973 059	(332 852)	-	-
	3 391 499	-	-	3 755 883	-	-	7 147 382	(832 099)	-	-
Assets Under Construction										
Assets under Construction	27 457 555	41 044 314	-	(18 076 029)	-	-	50 425 840	-	-	-
	27 457 555	41 044 314	-	(18 076 029)	-	-	50 425 840	-	-	-
Other assets										
Equipment	1 821 759	326 638	-	-	-	-	2 148 397	(1 209 326)	-	-
Furniture & Fittings	2 497 524	43 401	-	-	-	-	2 540 925	(1 470 861)	-	-
Vehicles	4 281 028	-	-	-	-	-	4 281 028	(3 937 440)	-	-
	8 600 311	370 039	-	-	-	-	8 970 350	(6 617 627)	-	-

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2015 Cost/Revaluation Accumulated

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Acquisitions Rand	Correction of prior year error Rand	Closing Balance Rand	Opening Balance Rand	Acquisitions Rand	Transfer Rand
Total property plant and equipment										
Land and buildings	17 790 827	-	-	-	-	-	17 790 827	(3 574 792)	-	-
Infrastructure	25 085 236	-	-	4 794 904	-	-	29 880 140	(10 584 016)	-	-
Community Assets	48 771 269	-	-	13 281 125	-	-	62 052 394	(13 943 325)	-	-
Leased Assets	3 391 499	-	-	3 755 883	-	-	7 147 382	(832 089)	-	-
Assets Under Construction	27 457 555	41 044 314	-	(18 076 029)	-	-	50 425 840	-	-	-
Other assets	8 600 311	370 039	-	-	-	-	8 970 350	(6 617 627)	-	-
	131 096 697	41 414 353	-	3 755 883	-	-	176 266 933	(35 551 859)	-	-
Agricultural/Biological assets										
Intangible assets										
Computers - software & programming	162 978	-	-	-	-	-	162 978	(86 212)	-	-
	162 978	-	-	-	-	-	162 978	(86 212)	-	-
Investment properties										
Total										
Land and buildings	17 790 827	-	-	-	-	-	17 790 827	(3 574 792)	-	-
Infrastructure	25 085 236	-	-	4 794 904	-	-	29 880 140	(10 584 016)	-	-
Community Assets	48 771 269	-	-	13 281 125	-	-	62 052 394	(13 943 325)	-	-
Leased Assets	3 391 499	-	-	3 755 883	-	-	7 147 382	(832 089)	-	-
Assets Under Construction	27 457 555	41 044 314	-	(18 076 029)	-	-	50 425 840	-	-	-
Other assets	8 600 311	370 039	-	-	-	-	8 970 350	(6 617 627)	-	-
Intangible assets	162 978	-	-	-	-	-	162 978	(86 212)	-	-
	131 259 675	41 414 353	-	3 755 883	-	-	176 429 911	(35 638 071)	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2019 Cost/Revaluation Accumulated

	Opening Balance Rand	Additions Rand	Acquisitions Rand	Transfers Rand	Revaluations Rand	Restatements Rand	Closing Balance Rand	Opening Balance Rand	Restatements Rand	Acquisitions Rand
Land and buildings										
Land	10 404 853	-	-	-	-	-	10 404 853	-	-	-
Buildings	7 385 974	-	-	-	-	-	7 385 974	(3 185 100)	-	-
	17 790 827	-	-	-	-	-	17 790 827	(3 185 100)	-	-
Infrastructure										
Bus Terminals	1 269 530	-	-	331 197	-	-	1 600 727	(185 306)	-	-
Lighting	280 409	-	-	-	-	-	280 409	(74 778)	-	-
Pavements	48 417	-	-	-	-	-	48 417	(16 139)	-	-
Road Signs	10 800	-	-	-	-	-	10 800	(5 760)	-	-
Roads	17 879 537	-	-	3 255 294	-	1 804 805	22 939 636	(7 523 853)	(40 052)	-
Storm water Drainage	205 246	-	-	-	-	-	205 246	(112 885)	-	-
	19 693 939	-	-	3 586 491	-	1 804 805	25 085 235	(7 818 521)	(40 052)	-
Community Assets										
Community Assets	31 239 869	-	-	7 157 232	-	6 486 925	44 884 026	(11 575 503)	(138 801)	-
Sportsfields and stadium	3 311 753	-	-	575 490	-	-	3 887 243	(855 410)	-	-
	34 551 622	-	-	7 732 722	-	6 486 925	48 771 269	(12 430 913)	(138 801)	-

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2015 Cost/Revaluation Accumulated

	Opening Balance Rand	Additions Rand	Acquisitions Rand	Transfers Rand	Revaluations Rand	Restatements Rand	Closing Balance Rand	Opening Balance Rand	Restatements Rand	Acquisitions Rand
Leased assets										
Office Equipments	1 174 323	-	-	-	-	-	1 174 323	(264 382)	-	-
Vehicles	-	2 217 176	-	-	-	-	2 217 176	-	-	-
	1 174 323	2 217 176	-	-	-	-	3 391 499	(264 382)	-	-
Assets under Construction										
Assets under Constructions	20 497 064	26 571 435	-	(11 319 213)	-	(8 291 730)	27 457 556	-	-	-
	20 497 064	26 571 435	-	(11 319 213)	-	(8 291 730)	27 457 556	-	-	-
Other assets										
Equipment	1 521 519	300 240	505 038	-	-	-	2 326 797	(1 043 210)	-	-
Furniture and Fittings	1 866 226	-	-	-	-	-	1 866 226	(885 520)	-	-
Vehicles	4 281 028	-	-	-	-	-	4 281 028	(3 641 315)	-	-
	7 668 773	300 240	505 038	-	-	-	8 474 051	(5 564 851)	-	-

Analysis of property, plant and equipment as at 30 June 2015
Cost/Revaluation **Accumulated Depreciation**

	Opening Balance Rand	Additions Rand	Acquisitions Rand	Transfers Rand	Revaluations Rand	Restatements Rand	Closing Balance Rand	Opening Balance Rand	Restatements Rand	Acquisitions Rand
Total property plant and equipment										
Land and buildings	17 790 827	-	-	-	-	-	17 790 827	(3 185 100)	-	-
Infrastructure	19 693 939	-	-	3 586 491	-	1 804 805	25 085 235	(7 918 521)	(40 052)	-
Community Assets	34 551 622	-	-	7 732 722	-	6 486 925	48 771 269	(12 430 913)	(138 801)	-
Leased assets	1 174 323	2 217 176	-	-	-	-	3 391 499	(264 382)	-	-
Assets under Construction	20 497 064	26 571 435	-	(11 319 213)	-	(8 291 730)	27 457 556	-	-	-
Other assets	7 668 773	300 240	505 038	-	-	-	8 474 051	(5 864 651)	-	-
	101 376 548	29 088 851	505 038	-	-	-	130 970 437	(29 663 567)	(178 853)	-
Intangible assets										
Computers - software & programming	162 978	-	-	-	-	-	162 978	(53 617)	-	-
	162 978	-	-	-	-	-	162 978	(53 617)	-	-
Total										
Land and buildings	17 790 827	-	-	-	-	-	17 790 827	(3 185 100)	-	-
Infrastructure	19 693 939	-	-	3 586 491	-	1 804 805	25 085 235	(7 918 521)	(40 052)	-
Community Assets	34 551 622	-	-	7 732 722	-	6 486 925	48 771 269	(12 430 913)	(138 801)	-
Leased assets	1 174 323	2 217 176	-	-	-	-	3 391 499	(264 382)	-	-
Assets under Construction	20 497 064	26 571 435	-	(11 319 213)	-	(8 291 730)	27 457 556	-	-	-
Other assets	7 668 773	300 240	505 038	-	-	-	8 474 051	(5 864 651)	-	-
Intangible assets	162 978	-	-	-	-	-	162 978	(53 617)	-	-
	101 539 526	29 088 851	505 038	-	-	-	131 133 415	(29 717 184)	(178 853)	-

Appendix D

June 2015

Segmental Statement of Financial Performance for the year ended Prior Year Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
-	9 785 309	(9 785 309)	Executive & Council/Mayor and Council	-	21 357 953	(21 357 953)
95 696 151	22 756 568	72 939 583	Finance & Admin/Finance	131 824 157	36 807 619	95 016 538
1 035 156	6 830 009	(5 794 853)	Planning and Development/Economic Development/Plan	10 621 643	7 468 461	3 153 182
-	13 088 989	(13 088 989)	Corporate Services	-	16 416 669	(16 416 669)
1 927 472	19 320 327	(17 392 855)	Comm. & Social/Libraries and archives	1 226 946	15 313 177	(14 086 231)
-	-	1		-	-	-
98 658 779	71 781 202	26 877 578		143 672 746	97 363 879	46 308 867

